

AMENDED IN SENATE AUGUST 29, 2013  
AMENDED IN SENATE AUGUST 14, 2013  
AMENDED IN SENATE JULY 11, 2013  
AMENDED IN SENATE JULY 1, 2013  
AMENDED IN SENATE MAY 21, 2013  
AMENDED IN ASSEMBLY APRIL 2, 2013  
AMENDED IN ASSEMBLY MARCH 12, 2013  
CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 182**

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**Introduced by Assembly Members Buchanan and Hueso**  
**(Principal coauthor: Assembly Member Alejo)**  
(Principal coauthors: Senators Block and Wyland)  
**(Coauthors: Assembly Members Ian Calderon, Chávez,**  
**Roger Hernández, and Williams)**  
(Coauthor: Senator Torres)

January 24, 2013

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An act to amend Section 15146 of, and to add Sections 15140.5, 15144.1, 15144.2, and 15144.3 to, the Education Code, and to add ~~Section 53508.5~~ *Sections 53508.5 and 53508.6* to, ~~and to add and repeal Section 53508.6 of,~~ the Government Code, relating to bonds.

LEGISLATIVE COUNSEL’S DIGEST

AB 182, as amended, Buchanan. Bonds: school districts and community college districts.

(1) Existing law authorizes the governing board of any school district or community college district to order an election and submit to the electors of the district the question whether the bonds of the district should be issued and sold to raise money for specified purposes. Existing law requires the bonds to bear a rate of interest that does not exceed 8% per annum and requires the number of years the whole or any part of the bonds are to run to not exceed 25 years.

This bill would require the ratio of total debt service to principal for each bond series to not exceed 4 to one. The bill would require each bond, as defined, that allows for the compounding of interest, including, but not limited to, a capital appreciation bond, maturing more than 10 years after its date of issuance to be subject to redemption before its fixed maturity date, as specified, beginning no later than the 10th anniversary of the date the bond was issued. The bill would authorize a school district or community college district with a note issued before December 31, 2013, to seek from the State Board of Education or the Chancellor of the California Community Colleges, as applicable, a one-time waiver from certain requirements of this bill if 2 specified conditions are satisfied.

(2) Existing law requires the governing board of a school district or community college district, before the sale of bonds, to adopt a resolution as an agenda item at a public meeting that includes specified information.

This bill would require, if the sale includes bonds that allow for the compounding of interest, including, but not limited to, capital appreciation bonds, the agenda item to identify that bonds that allow for the compounding of interest are proposed and require the governing board of the school district or community college district to be presented with specified information concerning the bonds. The bill would require the resolution to be publicly noticed on at least 2 consecutive meeting agendas, first as an information item and 2nd as an action item.

(3) Additionally and alternatively to the authority described above, existing law authorizes the legislative body of an issuer, by resolution, to provide for the issuance of bonds or refunding bonds.

This bill would provide that ~~a general obligation bond~~ *bonds* issued *pursuant to this authority* by a school district or community college district ~~by resolution shall not have a maturity exceeding 30 years, except, until January 1, 2019, bonds that do not allow for the~~ compounding of interest may have a maturity that is greater than 30 years, but not greater than 40 years, if certain requirements are satisfied.

The bill would require a school district or community college district that intends to issue bonds that allow for the compounding of interest, including, but not limited to, capital appreciation bonds, pursuant to this authority to conform the bond issuance to certain requirements otherwise applicable to bonds issued by a school district or community college district pursuant to the authority specified in (1), above.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 15140.5 is added to the Education Code,  
2 to read:  
3 15140.5. For purposes of this article, “bonds” means bonds,  
4 notes, warrants, or other evidence of indebtedness payable, both  
5 principal and interest, from the proceeds of ad valorem property  
6 taxes that may be levied without limitation as to rate or amount  
7 upon property subject to taxation by the governing board of the  
8 school district or community college district.  
9 SEC. 2. Section 15144.1 is added to the Education Code, to  
10 read:  
11 15144.1. The ratio of total debt service to principal for each  
12 bond series shall not exceed four to one.  
13 SEC. 3. Section 15144.2 is added to the Education Code, to  
14 read:  
15 15144.2. A bond that allows for the compounding of interest,  
16 including, but not limited to, a capital appreciation bond, maturing  
17 more than 10 years after its date of issuance shall be subject to  
18 redemption before its fixed maturity date, with or without a  
19 premium, at any time, or from time to time, at the option of the  
20 issuer, beginning no later than the 10th anniversary of the date the  
21 bond that allows for the compounding of interest was issued.  
22 SEC. 4. Section 15144.3 is added to the Education Code, to  
23 read:  
24 15144.3. A school district or community college district with  
25 a note issued before December 31, 2013, pursuant to Section 15150  
26 may seek from the state board or the Chancellor of the California  
27 Community Colleges, as applicable, a one-time waiver from one  
28 or more of the requirements of Sections 2, 3, 5, and 6 of Assembly

1 Bill 182 of the 2013–14 Regular Session, if both of the following  
2 are satisfied:

3 (a) The proceeds of the issuance subject to the waiver will be  
4 used only for the purpose of paying the note.

5 (b) The school district or community college district has  
6 provided to the state board or the Chancellor of the California  
7 Community Colleges, as applicable, an analysis from a financial  
8 adviser unaffiliated with the school district, the community college  
9 district, or the underwriter used by the school district or community  
10 college district, showing the total overall costs of the proposed  
11 bond, how the issuance is the most cost-effective method, and the  
12 reasons why the school district or community college district is  
13 unable to meet those requirements of Sections 2, 3, 5, and 6 of  
14 Assembly Bill 182 of the 2013–14 Regular Session that are the  
15 subject of the waiver.

16 SEC. 5. Section 15146 of the Education Code is amended to  
17 read:

18 15146. (a) The bonds shall be issued and sold pursuant to  
19 Section 15140, payable out of the interest and sinking fund of the  
20 district. The governing board may sell the bonds at a negotiated  
21 sale or by competitive bidding.

22 (b) (1) Before the sale, the governing board shall adopt a  
23 resolution, as an agenda item at a public meeting, that includes all  
24 of the following:

25 (A) Express approval of the method of sale.

26 (B) Statement of the reasons for the method of sale selected.

27 (C) Disclosure of the identity of the bond counsel, and the  
28 identities of the bond underwriter and the financial adviser if either  
29 or both are used for the sale, unless these individuals have not been  
30 selected at the time the resolution is adopted, in which case the  
31 governing board shall disclose their identities at the public meeting  
32 occurring after they have been selected.

33 (D) Estimates of the costs associated with the bond issuance.

34 (E) If the sale includes bonds that allow for the compounding  
35 of interest, including, but not limited to, capital appreciation bonds,  
36 disclosure of the financing term and time of maturity, repayment  
37 ratio, and the estimated change in the assessed value of taxable  
38 property within the school district or community college district  
39 over the term of the bonds.

1 (2) If the sale includes bonds that allow for the compounding  
2 of interest, including, but not limited to, capital appreciation bonds,  
3 the resolution shall be publicly noticed on at least two consecutive  
4 meeting agendas, first as an information item and second as an  
5 action item.

6 (c) If the sale includes bonds that allow for the compounding  
7 of interest, including, but not limited to, capital appreciation bonds,  
8 the agenda item shall identify that bonds that allow for the  
9 compounding of interest are proposed and the governing board  
10 shall be presented with all of the following:

11 (1) An analysis containing the total overall cost of the bonds  
12 that allow for the compounding of interest.

13 (2) A comparison to the overall cost of current interest bonds.

14 (3) The reason bonds that allow for the compounding of interest  
15 are being recommended.

16 (4) A copy of the disclosure made by the underwriter in  
17 compliance with Rule G-17 adopted by the federal Municipal  
18 Securities Rulemaking Board.

19 (d) After the sale, the governing board shall do both of the  
20 following:

21 (1) Present the actual cost information for the sale at its next  
22 scheduled public meeting.

23 (2) Submit an itemized summary of the costs of the bond sale  
24 to the California Debt and Investment Advisory Commission.

25 (e) The governing board shall ensure that all necessary  
26 information and reports regarding the sale or planned sale of bonds  
27 by the district it governs are submitted to the California Debt and  
28 Investment Advisory Commission in compliance with Section  
29 8855 of the Government Code.

30 (f) The bonds may be sold at a discount not to exceed 5 percent  
31 and at an interest rate not to exceed the maximum rate permitted  
32 by law. If the sale is by competitive bid, the governing board shall  
33 comply with Sections 15147 and 15148. The bonds shall be sold  
34 by the governing board no later than the date designated by the  
35 governing board as the final date for the sale of the bonds.

36 (g) The proceeds of the sale of the bonds, exclusive of any  
37 premium received, shall be deposited in the county treasury to the  
38 credit of the building fund of the school district, or community  
39 college district as designated by the California Community  
40 Colleges Budget and Accounting Manual. The proceeds deposited

1 shall be drawn out as other school moneys are drawn out. The  
2 bond proceeds withdrawn shall not be applied to any purposes  
3 other than those for which the bonds were issued. Any premium  
4 or accrued interest received from the sale of the bonds shall be  
5 deposited in the interest and sinking fund of the school district or  
6 community college district.

7 (h) The governing board may cause to be deposited proceeds  
8 of sale of any series of the bonds in an amount not exceeding 2  
9 percent of the principal amount of the bonds in a costs of issuance  
10 account, which may be created in the county treasury or held by  
11 a fiscal agent appointed by the school district or community college  
12 district for this purpose, separate from the building fund and the  
13 interest and sinking fund of the district. The proceeds deposited  
14 shall be drawn out on the order of the governing board or an officer  
15 of the district duly authorized by the governing board to make the  
16 order, only to pay authorized costs of issuance of the bonds. Upon  
17 the order of the governing board or duly authorized officer, the  
18 remaining balance shall be transferred to the county treasury to  
19 the credit of the building fund of the school district or community  
20 college district. The deposit of bond proceeds pursuant to this  
21 subdivision shall be a proper charge against the building fund of  
22 the school district or community college district.

23 (i) The governing board may cause to be deposited proceeds of  
24 sale of any series of the bonds in the interest and sinking fund of  
25 the district in the amount of the annual reserve permitted by Section  
26 15250 or in any lesser amount, as the governing board shall  
27 determine from time to time. The deposit of bond proceeds  
28 pursuant to this subdivision shall be a proper charge against the  
29 building fund of the school district or community college district.

30 (j) The governing board may cause to be deposited proceeds of  
31 sale of any series of the bonds in the interest and sinking fund of  
32 the district in the amount not exceeding the interest scheduled to  
33 become due on that series of bonds for a period of two years from  
34 the date of issuance of that series of bonds. The deposit of bonds  
35 proceeds pursuant to this subdivision shall be a proper charge  
36 against the building fund of the school district or community  
37 college district.

38 SEC. 6. Section 53508.5 is added to the Government Code, to  
39 read:

1     ~~53508.5. (a) Notwithstanding any other law and except as~~  
2 ~~provided in subdivision (b) or Section 53508.6, a bond issued by~~  
3 ~~a school district or community college district pursuant to this~~  
4 ~~article shall not have a maturity exceeding 30 years.~~

5     ~~(b)–~~

6     53508.5. Notwithstanding any other law and except as provided  
7 in Section 53508.6, a school district or community college district  
8 that intends to issue bonds that allow for the compounding of  
9 interest, including, but not limited to, capital appreciation bonds,  
10 pursuant to this article shall comply with the requirements of  
11 Sections 15143, 15144, 15144.1, and 15144.2, and subdivisions  
12 (b) and (c) of Section 15146, of the Education Code.

13     SEC. 7. Section 53508.6 is added to the Government Code, to  
14 read:

15     53508.6. ~~(a)~~Notwithstanding any other law, a school district  
16 or community college district may, pursuant to this article, issue  
17 bonds that do not allow for the compounding of interest and that  
18 have a maturity greater than 30 years, but not greater than 40 years,  
19 if the school district or community college district does both of  
20 the following:

21     ~~(1)~~

22     (a) Complies with the requirements of subdivisions (b) and (c)  
23 of Section 15146 of the Education Code.

24     ~~(2)~~

25     (b) Makes a finding that the useful life of the facility financed  
26 with the bonds that do not allow for the compounding of interest  
27 and that have a maturity greater than 30 years, but not greater than  
28 40 years, equals or exceeds the maturity date of those bonds.

29     ~~(b) This section shall remain in effect only until January 1, 2019,~~  
30 ~~and as of that date is repealed, unless a later enacted statute, that~~  
31 ~~is enacted before January 1, 2019, deletes or extends that date.~~